

Network Rail

CARE Pension Scheme

Summary Funding Statement as at 31 December 2022
and 31 December 2023



This statement is issued on behalf of the Trustee of the Network Rail CARE Pension Scheme (“the Scheme”) with the aim of providing information about the Scheme’s funding position. This information is required to be provided to all members by the Trustee and will generally be provided annually.

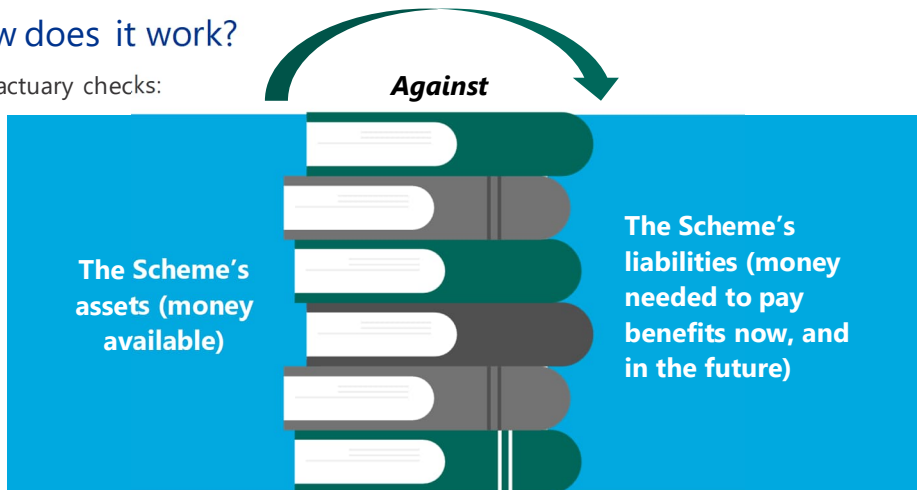
What is an actuarial valuation?

An actuarial valuation is a snapshot of a pension scheme’s funding position at a certain date – a financial health check.

Every 3 years, an actuary - a qualified professional - carries out an actuarial valuation, as well as providing quarterly estimated funding updates in between.

How does it work?

The actuary checks:



If the assets are greater than the liabilities, the Scheme has a **surplus**.

If the liabilities are greater than the assets, the Scheme has a **deficit**, or **shortfall**.

The actuarial valuation is carried out on:

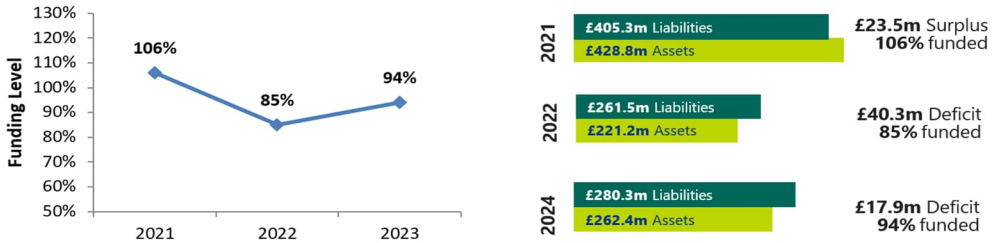
- an *ongoing basis*, which assumes the Scheme will carry on as it is now, and
- a *discontinuance basis*, which assumes the Scheme is wound-up at the valuation date.

The funding position is based on what is known at the time of the valuation and assumptions about what might happen in the future, such as life expectancy, potential investment returns and inflation. Schemes aim to have enough assets to be able to pay members’ benefits built up to the valuation date. This is called the *Statutory Funding Objective*.

Valuation results

The latest formal valuation was at 31 December 2022:

Scheme funding level 2021 - 2023



The most recent formal actuarial valuation of the Scheme was carried out on 31 December 2022. The funding position at the formal valuation date as well as the annual update as at 31 December 2023 are shown above, together with the position at the annual update at 31 December 2021 for comparison.

The funding level has decreased since the last time we wrote to you (when it was 106% as at 31 December 2021).

Over this period to 31 December 2022, the key items that impacted on the funding were:

- A significant increase in long-term interest rates had two effects. Firstly, the value placed on the future liabilities today reduced as result of higher expected returns in the future. Secondly, the "liability matching assets" which are designed to move in line with the value of the liabilities also fell. This is the reason for the reduction in assets (and liabilities) between 2021 and 2022.
- Actual inflation over the period was higher than assumed, which increased the liabilities.
- The trustees updated their assumption for future price inflation to reflect the latest available information, which also increased the liabilities.

Post-valuation changes to 31 December 2023:

Since the valuation date, the following changes have affected the Scheme:

- Growth assets have increased by more than assumed, which has improved the funding position.
- Contributions have been paid at a rate higher than the cost of benefits accruing to current members, which has improved the funding position.

The funding position improved to around 94% at 31 December 2023. Note that the positive experience has continued so far in 2024 and the funding plan is well ahead of target.

Recovery Plan

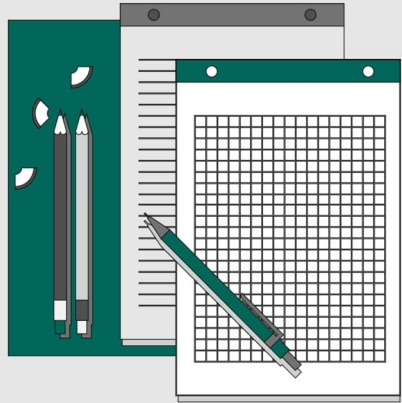
How will the shortfall be met?

We have agreed a Recovery Plan with the Company. The estimated deficit to be funded through additional contributions from the Company and the members is £40.3m.

The additional contributions to fund this are 6.19% of Pensionable Salaries per annum. We expect this to eliminate the deficit within 4 years of the valuation date.

The Recovery Plan aims to make sure there is enough money in the Scheme to pay benefits now and in the future. We'll review the Recovery Plan again at the next valuation, on 31 December 2025.

We monitor the funding position every quarter, and the actuary provides annual updates in between the three-yearly actuarial valuation.



What would happen if the Scheme needed to wind up?

As part of the three-yearly actuarial valuation, the actuary works out the Scheme's funding level on a discontinuance basis. The discontinuance basis assumes the Scheme is wound up **on** the valuation date. If the Scheme winds up in the future, you might not get the full amount of pension you have built up even if the Scheme is fully funded under the ongoing basis (shown above).



Including this information is a legal requirement and does **not** mean the Company has any intention of winding up the Scheme.

If the Scheme were to wind up, the Company would have to pay enough into the Scheme to cover the cost of buying members' benefits from an insurance company.

The valuation as at 31 December 2022 showed that, if the Network Rail CARE Pension Scheme had wound up on that date, the funding level would have been 28%. The additional amount needed to secure members' benefits would have been £585m.

The Government has also set up the **Pension Protection Fund** (PPF) to help members in the event of a wind-up. If the Company became insolvent with insufficient assets to provide benefits, the PPF may be able to take over the Scheme and pay compensation to members. More information about the PPF is available at www.ppf.co.uk



The Pensions Regulator's directions

We're required to tell you whether The Pensions Regulator has used its legal powers. We can confirm that The Pensions Regulator has not used any of its powers in relation to the Scheme to:

- change the rate at which members earn benefits,
- change the way the Scheme values members' benefits,
- set the future level of contributions, or
- set a date when any shortfall must be met.

Is there anything else you need to know?

We can confirm that there have been no payments to the Company from the Scheme.

What is the Scheme invested in?

The Trustee's current policy is to invest 90% of the Scheme's funds in return seeking asset classes and the remaining 10% in lower risk assets. Furthermore, the Trustee holds alternative asset classes and "liability driven" instruments in order to reduce the volatility of the Scheme's funding position as a result of changes in market conditions such as interest rates and inflation. This policy will be reviewed from time to time and amended if considered appropriate.



Change of address?

Please help us to keep in touch with you by telling us if you change address.

Leaving the Scheme

If you are thinking of leaving the Scheme for any reason, it is recommended that you consult a professional advisor, such as an independent financial advisor, before taking any action. This advice would be at your own cost.

Be alert for pension scams

Please be aware that there has been a significant increase in the number of scams over the last few years. These scams often include fraudulent links and/or may ask you to call a phone number. Some scam emails are designed to look very realistic.

Make sure you don't click links in any suspicious looking emails, and never respond to any unsolicited messages that ask for any of your personal information or financial details.

You should read www.fca.org.uk/scamsmart and the following leaflet from the Financial Conduct Authority, which provides further information regarding pension scams:

<http://www.fca.org.uk/publication/documents/pension-scams-leaflet.pdf>

Need more information?

Further information about the Scheme is available on request. The available documents are listed below:

Statement of Funding Principles – sets out the Scheme’s funding plan.

Statement of Investment Principles – explains how the Trustee invests the Scheme funds.

Schedule of Contributions – shows how much money is being paid into the Scheme.

Annual Report and Accounts – shows the Scheme’s draft income/expenditure in the year up to 31 December 2023

Full report on the actuarial valuation – shows in detail the Scheme’s situation as of 31 December 2022

Annual Actuarial report – shows the progression of the funding position to 31 December 2023

Contact details

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Protecting your data

As a member of the Scheme, you agree to provide personal data to the Trustee and consent to the processing and disclosure of this data to the Company and such professionals and other third parties that the Trustee has chosen to assist with this. The data will be held during your membership of the Scheme or any longer period necessary to answer questions relating to your benefits.

Further details on the information we hold and why we hold it, how we protect your data and your rights in regard to your data is set out in the Trustee’s Privacy Notice. Please use the contact details below if you require a copy of the Privacy Notice to be sent to you.

The current XPS Pensions Scheme Actuary and XPS Pensions when providing defined benefits actuarial consulting services are typically Data Controllers in their own right and so we share your personal information with XPS Pensions in order for them to provide these services. The XPS Pensions Privacy Information is available at: <https://www.xpsgroup.com/legal-regulatory/privacy-policy/>